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Gibbons, James

A Plan for the Relief of the Treasury

in Bartlett No 3316

THE ORGANIZATION

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OF THE

PUBLIC DEBT

AND

A PLAN

FOR THE RELIEF OF THE TREASURY.

BY

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JAMES MILLER, PUBLISHER,
(SUCCESSOR TO C. S. FRANCIS & CO.,)
No. 522 BROADWAY, NEW YORK.
1863.

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PRESS OF WYNKOOP, HALLENBECK & THOMAS,
No. 113 Fulton Street, New York.

Groundless alarms about the debt. Absurdity of the cry of insolvency. The debt assumed at its highest possible amount. Scale of liquidation. Means of payment. Ample resources. False theory of the sub-treasury exploded. Errors of negotiation. A financial syllogism. The practical repudiation of our national economy. Nature and use of a public debt. A milliner's assortment of stocks. The organization of the debt. Annuities. An auxiliary currency. The sale of opinions. Dangers of the banking scheme. Gold the inevitable measure. Means of resumption of specie payments. The speculation in gold, and the speculators. Summary of measures. The two sides of the account.

The nation is oppressed and alarmed by apprehensions of a debt of some thousands of millions of dollars. It is affected by the cry, and by fears, of insolvency. It can feel but little confidence in its fiscal managers who manifest no capacity to devise measures that do not threaten positive evils, while promising doubtful relief. Such is our present condition.

It is the object of the writer to show that, whatever may be the debt of the nation, alarm and apprehension concerning it are without just grounds; that the bruited insolvency which disturbs our fancy is utterly a fiction; that the helplessness of the treasury management does not arise from any insuperable difficulty in our circumstances, but from a false theory of the debt entertained by those to whom it is intrusted; and that the evils with which they threaten the country, by fastening upon it an irredeemable paper currency, are far more serious in their character and scope than those which they expect to remove.

If we assume, as a basis for our illustration, that the possible debt of the nation will be four thousand millions of dollars, we shall, without doubt, cover all its extreme perils. It is to be considered with reference to the ability of the country to carry and pay it.

Regarded in a mass, four thousand millions of dollars is a

very formidable sum. But if we apply to it the principles of an organized funding system, it begins at once to lose its frightful magnitude, and takes the shape of a manageable obligation. The first principle or rule of a national debt is, that its liquidation must be distributed over a term of years. If we assign fifty years as the term for paying a debt of four thousand millions of dollars, allowing also sixty millions a year for the ordinary expenses of the Government, it would be accomplished by raising three hundred and fifty millions a year for five years, and three hundred millions annually for the rest of the term.

By appropriating three hundred and fifty millions annually, compounding the decrease of interest by the diminishing principal with the liquidating capital, the debt would be extinguished in twenty-nine years.

On the plan of paying off one hundred millions a year until the whole is extinguished, the sum of four hundred millions would be required the first year. In ten years the requisition would be reduced to three hundred and forty millions ; in ten more, to one hundred and eighty millions ; in ten more, to one hundred and twenty millions; and in nine more, the whole would be redeemed ; that is, in thirty-nine years.

It is not, then, with the great mass of four thousand millions that we have to deal, but only with the annual installment. A merchant, who has notes to pay to the aggregate of half a million in a term of six months, does not distress his imagination with the thought that it is impossible for him to discharge the whole sum in one day.

Four hundred millions a year is the highest amount demanded by either of the foregoing scales, and that for one year only. The requisition decreases each year by the decrease of the principal. It cannot be doubted that the national resources are more than equal to this requirement.

A debt of three thousand millions of dollars would be extinguished by three hundred and fifty millions a year, in a term of about fifteen years.

Three hundred millions a year would liquidate the same

amount in twenty-three years. In ten years it would reduce the debt from three thousand to twenty-two hundred millions, when an annual appropriation of two hundred millions of dollars would work its gradual extinction.

In all the foregoing calculations, the sum of sixty millions annually is included for the ordinary expenses of the Government, the object being to show the entire burden that the country would have to carry.

From the distribution of the debt over a considerable number of years, results its stability of value, and its consequent attraction of capital. There can, then, be no difficulty in collecting the sum necessary to pay its annual interest, and to continue a gradual liquidation; whereas, if the redemption should be forecast on a short period, it would prove detrimental to the general economy, and, perhaps, impossible of execution.

In the report of the Secretary of the Treasury for 1861, is this passage: "Perpetuity of debt is not of American origin;" and from time to time we have heard the dogma put forth, that one generation has no right to contract a debt for a succeeding generation to pay. It is as reasonable to assert that a man has no right to devise an encumbered estate to his children. The national debt now accruing is more for the benefit of the future, than for the present. If the present, in addition to the loss of life, and its terrific weight of physical suffering, should be taxed with the expenses of the war, the nation must cease to exist. It is enough if it pay the interest. Such dogmas, which mean nothing to the purpose, are worthy of demagogues—not of statesmen, who should have some knowledge of the rudiments, at least, of political economy. The simple duty of the Treasury Department of the Government is to organize the national debt on sound commercial principles, and it will then take care of itself.

Are the resources of the country equal to the annual payment of three hundred and fifty millions of dollars a year for five years, and of three hundred millions for the following forty-five years? This is the sole question with which we have to do.

We shall base no calculations whatever on the success of treason. It is the united labor of the whole nation, and the entire body of its vast economy, directed to one point, that we look to for the grand result.

On the best official data extant, the annual production of the United States now reaches four thousand millions of dollars. During a period of fifty years, we shall, therefore, have a gross product of two hundred thousand millions to glean from, for the liquidation of a debt of four thousand millions. This is leaving out of view all increase of the product. If we assume that the population of the country will average fifty millions for the term named, and apply the rule of proportions to it, we shall have an average annual product of little less than seven thousand millions, giving a gross of three hundred and fifty thousand millions wherefrom to glean the liquidation of but four thousand millions of dollars. There is nothing fallacious in these estimates. Population increases by known laws, and the production of the country must keep pace with it.

Again: it is computed on official data that the net earnings of the people of the United States amount to four hundred millions of dollars a year. In the term of fifty years, the gross of net earnings, without the increase, will then be twenty thousand millions of dollars: with the increase, it will reach thirty-four thousand millions. Can a doubt be entertained that the country will be able, with such means, to carry and to liquidate any debt that can possibly accrue during the insurrection?

It almost baffles our belief to contemplate these prodigious results. They seem to defy possibility. But they are perfectly reasonable, when considered in relation to our extensive domain, the wealth of which waits only for population to develop it. A smaller area in Europe already gives a greater aggregate product, and justifies the conclusions which we foreshadow.

This is not Atlas with the world on his shoulders, but Atlas with a billiard ball in his hand.

Shall it be said that we draw an exaggerated picture of our resources—that it is only a vague outline, and not practical to

the positive arithmetic of our public debt. Let us, then, look at some of its more material ground-work.

The real and personal property of the United States is valued at sixteen thousand millions of dollars. The portion of the public lands actually surveyed, and ready for sale, on the 30th of September, 1862, embraced over one hundred and thirty-five millions of acres.

The number of acres of unimproved land in the ten rebel states in 1850, was near four hundred and fifty-five millions, three hundred and sixty-three millions of which were uninclosed in farms, and it may be presumed unoccupied, and therefore useless to any human beings. The confiscation of the latter at least, to go towards the expenses of the war, would be no more than an act of righteous justice, injuring nobody. The unimproved and uninclosed lands in the territories, in 1850, embraced over twelve hundred millions of acres. The census reports are deficient in the classification of Government lands, but we are not far from the truth in estimating them at one thousand millions of acres. Including the wild lands of the Slave States, we have therefore a public domain of about fifteen hundred millions of acres to lay at the feet of the national creditors as security for their loans. Excepting Russia, all Europe, including Great Britain, contains fewer than one thousand millions of acres. Our great unmortgaged farm, is therefore equal to once and a half of that area.

The Free Homestead Bill will make these lands more profitable to the treasury, by occupancy and production, than they would be by sale to speculators. Their mineral wealth is reserved from sale, and will constitute a source of incalculable income. To these specifications, we may add the revenue on foreign goods, taxes, tolls, and franchises, the basis of which is every day widening with the spread of population.

What can be more groundless than apprehensions of national insolvency, in view of this unequaled display of resources, to the present hour scarcely touched by the tax-gatherer's hand? And what more surprising than the fact, that so vast an estate should

be reduced, in the space of a few months, from a condition of the highest prosperity to such helpless inefficiency and embarrassment, as give color to those apprehensions?

Another question, yet more extraordinary and pointing with ghost-like warning into the future, forces itself on our minds. Is it possible that there is no escape from the disorder of the public finances, but to rush blindly upon the last resort of revolutionary and exhausted states—an irredeemable paper currency? Yet, such is the extreme measure now contemplated by Congress, in conformity with the recommendation of the Secretary of the Treasury!

A false theory of currency and debt, emanating from the bed of party politics, appears in the outset to have dictated the fiscal policy of the Government. That is, the "hard money," independent sub-treasury system. It was never justified by the principles of economy; and the highest merit it can claim is, that it has answered a small purpose, in an imperfect manner, in a time of peace, when no exigencies pressed upon it. The first breath of war exposed its inadequacy, and it has fallen prostrate by the first blow of the club of paper money. The consequence is, that from "hard money," and the sequestration of the public funds from all alliance with the capital of commerce, the Government now swings to the opposite extreme of an irredeemable paper currency, and to the most intimate association of the National Treasury with the commercial system.

It was high time for the absurd theory of financial independence to be exploded, in view of the common experience of the world in fiscal affairs, which clearly proves that the more closely a Government unites its functions with the general interests of the people, the more tenacious are its bonds of unity, and the more sure its dependence for aid in a season of adversity. But the Treasury sequestration plan was no more than a corollary of the "hard money" dogma, which rests on the theory, repudiated by all enlightened economists, that nothing but gold is capital, ignoring the organized and established property of a country, of which gold is the subordinate agent and not the superior.

It was the first grand error of the Honorable Secretary of the Treasury, when he entered the market to negotiate for the capital of the war, to base everything on the single proposition—coin or the issue of paper money. The first loan of one hundred and fifty millions of dollars, was paid by the takers in coin; but it was a suicidal process, reducing the commercial system from a proportion of fifty per cent. of specie to liabilities, down to twenty per cent. And no sooner was it known that the Secretary required a second loan, of one hundred and eighty millions of dollars, than the golden goose was killed. "Careful inquiries," he says, in his report of 1862, satisfied him, that to obtain one hundred and eighty millions in coin, would require an issue of two hundred and eighty-five millions of bonds; or a "shave" of about sixty per cent. on the face of the transaction.

"There remained but one other possible way of raising the money," says the Honorable Secretary, "and that was to receive in payment of loans the notes or credits of the banks in suspension." This was not "compatible with his ideas of public duty." He adds, "No other mode of providing with any tolerable degree of promptitude for the wants of the army and navy, etc., seemed likely to effect the object with so little public inconvenience, and so considerable public advantage, as the issue of United States notes adapted to circulation as money, and available, therefore, immediately, in Government payments."

The syllogism is short, and to the point:

1. Coin, or bank notes and credits.
2. Bank notes and credits, or paper money.
3. Therefore, coin or paper money.

Had the theory of the Honorable Secretary permitted him to pause and reflect whether there is not, between the two extremes of his syllogism, another expedient, not involving the latter, or, had his acquaintance with commercial methods been of a more practical kind, he might have avoided the headlong plunge which he has made into the "bottomless abyss" of paper money. He might have discovered in the common system of mercantile accounts, a plan by which all the negotiations and

disbursements of the Government could be carried on with perfect regularity and efficiency, on the basis of the national capital and resources, consisting, as we have seen, of more ample property and guaranties than can be offered by any other country on the globe. He had only to drop from his nose the spectacles of blind, political partisanship, manufactured in the year 1846, and now repudiated by their maker,* and to look at affairs as a merchant does, whose ships are constantly arriving from every part of the world with rich freights, and who, proportionably with his means, conducts a business infinitely larger than that of the Treasury of the United States. But with an estate at his back, yielding four thousand millions of product every year, with steady increase, and with a virgin domain more valuable than all the wealth of Great Britain, that carries successfully, a debt nearly ten times as large as was that of the United States in December last, the Honorable Secretary of the Treasury could see nothing but his little base of fifty millions of coin, melting down to twenty millions in five months, and slipping away from under his feet like a treacherous quicksand! Instead of devising means to organize a permanent funding system, known to be the only possible resource for constituting a national credit, he sinks down into utter helplessness, because he cannot build an inverted pyramid on "hard money!"

This was no less than a monstrous repudiation of our vast national economy, and the consequent destruction of the prestige of the public credit.

The writer is not a paper-money theorist, nor is he indifferent to the necessity of preserving a sufficient basis of "hard money" to answer all the functions of liquidation in our commercial and fiscal affairs. He is simply, as far as his knowledge goes, an economist. It is because he believes there is a cure for the present disorder in our public finances, without a resort to the unlimited issue of paper money, that he so freely denounces

* Robert J. Walker, the author of the Sub-treasury bill, has repudiated it in the *Continental Magazine*, but desires it to be understood that he has not changed any of his opinions, etc.

that expedient. As the only proposition before the country, it demands a thorough scrutiny. It may prove in the end that the banking scheme of the Honorable Secretary is more at fault in its peculiar shape, than in its normal idea. Such, at the moment is the growing belief of the writer. Nor does he esteem it by any means impossible that its leading principle may be reconciled at the same time with the public wants and the public interests.

One of the first things necessary to be understood, is the nature of a public debt. It is itself the constitution of a new kind of currency. When well organized, its representative bond or stock possesses all the properties of a bank or treasury note. In fact, it is money, differing from bank issues only in the feature of its bearing interest. There is nothing new in this proposition. Hamilton, in his first report on the public credit, in the year 1790, referred to it as " a well-known fact, that, in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money." It encourages the extension of trade, agriculture, and manufactures, because it furnishes capital. And it lowers the rate of interest, because the holder is not tempted to enter the market to buy other interest-bearing securities. " But these good effects of a public debt," he adds, " are only to be looked for when, by being well funded, it has acquired an adequate and stable value ; till then it has rather a contrary tendency. The fluctuation and insecurity incident to it, in an unfunded state, render it a mere commodity, and a rather precarious one."

It is the want of organization in our public debt that is at the bottom of our financial embarrassments. The funded portion of it consists of at least twenty different kinds of stock, or evidences of debt, each of which possesses some peculiarity that makes its market value different from all the others. They are as follows:

Six per cent. stocks of.................. 1867
Six per cent. stocks of.................. 1868

Six per cent. coupon stocks of............ 1868
Six per cent. registered stocks of......... 1881
Six per cent. coupon stocks of............ 1881
Five per cent. registered stocks of.... 20 years.
Five per cent. coupon stocks.......... 20 years.
Oregon war stocks of.................... 1881
Oregon half-year war stocks of........... 1881
Five per cent. coupon stocks of........... 1865
Five per cent. registered stocks of....... 1871
Five per cent. coupon stocks of........... 1871
Five per cent. registered stocks of....... 1874
Five per cent. coupon stocks of........... 1874
Seven-thirty treasury notes, 3 years, small.
Ditto of $1000, do.
Ditto of larger amounts, do.
Six per cent. two years' notes.
Six per cent. one year's certificates.
Demand treasury notes.

This remarkable list of the public securities is comparable only to the "extensive assortment" of ribbons in a millinery shop. Between many of them there is hardly a shade of difference to the inexperienced eye. Not only is it impossible for such evidences of the public debt to answer the purpose of money, but it is impossible for any one safely to deal in them for investment without making an arduous study of all the terms of competition between them; and even then, nothing but perpetual vigilance would protect him from loss by depreciation, or by failure to take advantage of the market for a sale. The "outside" public are liable to be cheated every time they venture to invest in them. In short, it is a business by itself to study the list, and to keep up with the innumerable daily fluctuations of price to which the different stocks are subject. The general consequence is, that but few people, comparatively, invest in them; and the price is, doubtless, much lower than it would be in a wider market. The small borrowings of the Government have heretofore made it of little consequence to give to its

bonds a uniformity that would favor their use as money. But now it is of the first importance to do this. The body of the public debt is likely to consist of at least three thousand millions, and every precaution should be adopted to encourage its distribution among the people.

The method for doing this is perfectly simple. The Government should give notice that all the different kinds of stock and paper now afloat will be convertible into six per cent. annuities,* and that it will issue none hereafter in any other shape, or at any other rate of interest. It is important that there be no different rates, to make confusion or competition. One quotation flashes over the telegraph and answers for the whole country. The lower denominations might be in hundreds and fifties, with tables of interest on the back. These would everywhere be adopted as money, and quickly drive out of circulation all bank issues of the same denominations. They would begin at once to absorb the savings of the working classes, the money of estates, surplus incomes, and funds in trust. An Act of Congress formally and specifically devoting the product of all the national resources, including the mines, in guarantee of these annuities, would place them on a par, in the markets of the world, with the best securities of other nations.

We have a striking example of the success of a measure of this kind, in giving character to a debt, and restoring the credit of a nation. The public debt of France, during the revolution, was in a state of disorder similar to that of the United States at the present time, though much worse. Yet, without a tithe of our domain and resources, from the first moment that it was made to assume a character of uniformity, it began to grow in favor with capitalists, and to be understood by the people,

* "Annuities" is the English name for stocks bearing an annual interest, but differing from them, in not being redeemable at a certain time, but at the pleasure or ability of the Government. It would be a better term for the national securities, as a clear distinction from the innumerable State, county, and company "stocks" with which the country is flooded.

who then respected it. The close parallel of the case to our own, gives interest to the following extract from Thiers:

"What was to be done in such a conjuncture? Resort to a loan, or issue assignats? To borrow would be impossible. To issue assignats would be easy enough; for this, nothing more was required than the national printing office! The first and most indispensable measure was to establish order in the debt, and to prevent its being divided into contracts of all forms and of all periods, and which, by their difference of origin and nature gave rise to a dangerous and counter revolutionary stock-jobbing. The knowledge of these old titles, their verification, and their classification, required a particular study, and occasioned a frightful complication in the accounts. There was the constituted debt, the debt demandable at a fixed period, the demandable debt proceeding from the liquidation, and in this manner the exchequer was daily liable to demands, and obliged to procure funds for the payment of sums thus falling due."

"The debt must be made uniform and republicanized," said Cambon, who devised the plan, copied in some respects from the English. It was adopted entire, and went into immediate execution. The result was, that after a short time, loans in the regular form were found practicable, and the circulation of the assignats, which had reached nearly five thousand millions, was thereby reduced.

We have shown that the security of our national debt is so solid, that no uneasiness could arise in the public mind, with the annuities not being redeemable at a fixed time. But this feature would be highly advantageous to the Government, which, by constituting a sinking-fund for this purpose, might buy them in when the market price would justify it, as a measure of economy.

A knowledge on the part of the public that the national debt is limited to a certain amount, would have an influence on the price of the annuities; and this might be indicated by the consecutive numbering of the denominations, from one upward.

The sum of the highest numbers of the several denominations issued would indicate the whole debt; and the accuracy of the footing could always be tested by application to the Treasury Department. Any fraudulent duplication of the numbers would be detected on their presentation for the periodical interest. The strict observance of these clerical particulars would be an assurance to the public of the general exactness of business in the main office, which is not a matter of small consideration, especially with wealthy capitalists and institutions holding large investments in the debt.

The economy of maintaining the documents of the debt in good condition is a point that ought not to be overlooked. The constant renewal necessary to a small currency of hundreds of millions of dollars will be a heavy tax on the banking scheme of the Honorable Secretary of the Treasury. It will require expensive machinery, and a prodigious array of clerks. The defaced and tattered condition of the fractional post currency is such already as to call for the process of renewal. On the proposed plan of annuities, the greater part of this expense and labor would be avoided.

The use of the annuities as money would naturally be introduced through the disbursements. They would prove much preferable to the present system of issuing certificates of indebtedness, running one or two years, which are destined, at maturity, to return in masses on the treasury, and to add to the complication of the accounts. By giving notice that all contracts for Government work and supplies will hereafter be paid in annuities, the difficulty of getting money for these disbursements is avoided. There could be no injustice in this, because the market-price of the annuities would be taken to regulate the price of labor and commodities. Competition is the unfailing adjuster of inequalities in all markets; and the Government, as well as the contractor or merchant, would be protected by it.

Let a case be supposed. The Government wishes to purchase twenty thousand barrels of flour, when the market is

barely sustaining the annuities at par, and a further issue of them will be likely to depress their price. The merchant ascertains what he can dispose of the annuities for, and if obliged to sell them below par, adds enough to the price of his flour to compensate for the loss. So of every article. If the profit paid by the Government is greater than by purchases on commercial account, the flour merchants will soon discover it, and compete for sales, when the price will fall.

A large portion of the disbursements of the Government, as wages, salaries, and so forth, could not be made in annuities. It would, therefore, be necessary to have an auxiliary issue of Treasury notes, not bearing interest, but convertible into annuities. These should not be put out for circulation as money, but merely as an instrument for the organization of the debt. They would, nevertheless, be used as money. If they were found to be in excess, they would be subject to discount in the market. But in proportion as they would fall below par, they would tempt purchasers for investment. They must, however, always be within a shade of the price of annuities—at little greater discount, in fact, than would pay for the time and trouble of getting them converted. This auxiliary currency would soon find its limitation of volume, and begin to move in a circle as bank notes do, repeating their service as often as paid out. The ordinary use of bank circulation shows that a volume of one hundred thousand dollars might answer the purpose of funding millions of annuities. In this way all the paper currency issued by the Government would be the servant, and not, as in the banking scheme of the Honorable Secretary of the Treasury, the master of the Government.

With specie payments re-established, the auxiliary Treasury currency alone might be made a perfect vehicle for the organization of the public debt. The convenience of trade would tend to keep it at par, and thus compete in favor of the Government against the brokers who might have orders to buy it below par for conversion. But if it should fall to eighty cents on the dollar, there need be no cause for alarm to the Treasury

Department; for the apparent loss falls on those through whose hands it passes in circulation, and is so distributed that probably no one holder loses more than one per cent, and that he provides for in his terms of dealing, as in the case of the annuities. As soon as the depression of the notes would reach a point at which their funding would pay the current rate of interest in the market and a small commission, they would be bought up for conversion. By this process the Government would be relieved from the odium of issuing irredeemable paper money. In fact, it would issue no money at all, as such, but only tokens of the debt, redeemable in annuities, according to engagement.

Nothing is more remarkable than the apparent acquiescence of financiers, politicians, statesmen, editors, merchants, and men of letters, who have heretofore held on this subject adverse opinions (and conscientious convictions, if we may believe them), in the perilous and gigantic experiment now, seemingly, about to be adopted by Congress, for the inauguration of a period of irredeemable paper currency on a scale that threatens to cast into the shade the folly of other nations in the same course; and, likewise, in all probability, their consequent sufferings and losses. It is, perhaps, partly to be accounted for by the fact that so many of them are enlisted in the profitable speculations of the day, or, are reaping advantages from them in one shape or another, and fear an interruption of their good fortune. Doubtless, Government contracts are yielding to some of them a compensation for the sacrifice of their long-cherished opinions. We have sufficient evidence before us to warrant the belief that if all selfish incentives were removed, their eyes would again become anointed with the salve of their ancient wisdom, and their voices again be heard in praise of "hard money."

But a manifest lack of genuineness accompanies the seeming acquiescence with which the currency scheme is received. It is not really approved, but submitted to, because, as the Honorable Secretary of the Treasury tells us in his late report, "there is no other mode of providing for the wants of the Government." It is believed to be pregnant with calamity, but

necessary to avert greater calamity. Whether such a state of opinion is sufficient to justify the submergence of our vast economy in a sea of irredeemable paper money, let the members of Congress gravely reflect.

A serious objection to the scheme is, that it ties the credit of the whole national debt to the credit of the paper circulation. The most fatal consequences may be apprehended from this circumstance. Compared with gold, the Treasury circulation already stands at a discount of sixty per cent., for which no earthly cause can be assigned but its present bulk, and prospective increase. It is a new kind of logic, to assume that when an article is cheap, because of its abundance, it will become dear by creating a still greater abundance of it.

Another objection is, that it is revolutionary in its character, because adapted to increase the political distractions of the North, and to bring on a conflict between Federal and State legislation. Lastly, it is idle to suppose that three hundred millions of stock, taken up for banking purposes, can sensibly affect the price or credit of the whole mass of the debt, since there will be no continuous demand beyond that amount. It will be much more likely to have an opposite influence, as the substantial measure which fastens upon the country the policy of a voluminous anti-specie basis currency.

The inevitable result of increasing the treasury circulation, will be to carry up the currency price of gold in the proportion of such increase. There is not a single example of a contrary effect on record.

The theory of the Honorable Secretary of the Treasury, that gold is "demonetized," is essentially false, in spite of its speciousness. It cannot be "demonetized" while it continues to be the measure of every other influential market in the world, but will apply itself to our affairs, in their entire body, as it has never ceased to do, through the foreign exchange. And, if Congress shall commit the great fault of conjoining the whole credit of the nation with the credit of an indefinitely expansive currency, there is much reason to fear that the country will have leisure for repentance.

What was it that "demonetized" gold? Was it not the absurd theory of the Secretary of the Treasury, that led him to insist on constituting with it the whole capital of the war, instead of allowing it to perform its true function of a repeating agent, for the proper organization of the public debt, and the maintenance of the national credit? And it is now the same false theory, applied to paper currency, which leads him to the vain attempt to constitute the capital of the war by the gross bulk of its emission. It is the prospect of necessary unlimited expansion in the future, that makes the Samson of gold shake the pillars of our national treasury.

Gold has been aptly termed "the blood of commerce." The circulation of the human body is a perfect simile to it. The heart pays out by the arteries, and receiving back by the numerous small veins. The vitalizing fluid visits every extremity of the system, and the very condition of life is its constant repetition of the same service. If, for any cause, it becomes clogged in its passage, and cannot return to the heart, death follows. So with gold, not only in each separate market of the world, but in its commercial system as a whole. Our financial doctor repudiates the theory of circulation and repeated service, insisting on a fresh supply at every time. With gold, that supply was impossible; but with paper money, it is the easiest possible expedient for men who know not what else to do.

Differing, as we may, on every other point of our financial management, there is yet one on which all agree; and that is, that no measure should be neglected that can in any way favor a return to specie payments. Happily, the country is not left without the chief resources by which this desirable end may be obtained, viz., a large stock of gold in hand, uninterrupted communication with the producing mines of California, a prosperous agriculture, and a reduced scale of foreign imports. The most auspicious of these circumstances, in the immediate use that it may be made to serve, is the reservation of at least fifty millions of the precious metal in the bank vaults of our chief cities. But for this fortunate accident, our national credit would

have trailed in the dust long since, and the nerves of the war had been broken. No example is more honorable than that of the stockholders and managers of the banks, in holding this precious deposit, not for selfish or speculative gains, but as a sacred trust, resisting all the temptations of the market, that it may return again in due season, and play an effectual part in the re-establishment of the public credit.

The speculation in gold has reached a point at which prompt legislative interference is demanded in the name of the national credit, and, by consequence, of the national unity. The failure of Congress through two sessions to pass a general bankrupt law, has left commerce prostrate where the rebellion struck it down. The foreign commercial correspondence has accordingly dwindled, until it is now confined chiefly to foreign merchants and bankers, many of whom sympathize openly and actively with the insurrection. They are the correspondents of the foreign manufacturing interest, and are freely giving money and moral support to political factions and journals which are laboring to sow dissension in the loyal states, and to neutralize the efforts of the Government to restore the unity of the nation. They are, in fact, doing no less than maintaining an army of traitors and cowards in the North, while our true and brave men are shedding their blood in the field. The state of public feeling in Europe has, doubtless, been affected unfavorably towards us by their correspondence. Since our commercial relations ceased to be reciprocal, they would naturally become hostile, because our blockade of the southern ports has stopped employment in their factories and interfered with their profits. The small number of these conspirators has enabled them to combine, in a perfect understanding, to assist the rebels by injuring the national credit. They hold exclusive power over the foreign exchange, and, through it, govern the gold market. By nominal quotations, twenty per cent. above the price of gold, when the difference of par is but nine per cent., they compel the shipment of gold.

A similar effort was made to injure the public credit of France during the revolution. Letters were found, written in English,

to bankers in Paris, one of which contained the following instructions: "Make the exchange rise to two hundred livres for one pound sterling. The assignats must be discredited as much as possible, and all those which have not the royal effigy must be refused. Make the price of all articles of consumption rise too. Give orders to all your merchants to buy up all the articles of first necessity."

Under these circumstances, the obvious remedy is to lay an export duty on gold of not less than twenty per cent. The effect of this would be to arrest the speculation that directly assails the public credit, and to open the way for a speedy resumption of specie payments, for which we do not lack means, but measures only. These are as follow:

1. An export duty of twenty per cent. on gold.

2. The passage of a national bankrupt law, to revive general commerce.

3. The consolidation of the public debt in annuities bearing a uniform rate of interest.

4. The use of the annuities in all Government disbursements, or of auxiliary treasury notes convertible into annuities.

5. The specific devotion, by act of Congress, of all the national resources, to the payment of the interest on the public debt, and its final redemption.

6. The abolition of the contract system of purchasing supplies and commodities, and their purchase in open market, by which it is computed there will be a saving of twenty-five per cent in their cost.

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Since the foregoing pages were in type, we have intelligence that the banking scheme of the Secretary of the Treasury has passed the House of Representatives. The principal object of the writer will not fail, however, if the public attention be drawn to the only measure by which the credit of the Government can be restored, viz., by a permanent funding system, and not by occasional expedients and financial tricks.

THE TWO SIDES OF THE ACCOUNT.

Debit.		Credit.	
To a debt of three or four thousand millions of dollars, redeemable in a term of fifty years, say.......	$4,000,000,000	By the net profits on a gross product of three hundred and fifty thousand millions of dollars in a term of fifty years	$34,000,000,000
To interest on the same and ordinary expenses of the Government, paid by revenue and taxes, without encroaching on the capital of the public domain and property, balanced by credit of the same.		By an unencumbered domain of fifteen hundred millions of acres, at $1.25 per acre	1,875,000,000
Balance carried down.................	35,625,000,000	By the mineral deposits of said domain, consisting of gold, silver, quicksilver, copper, iron, lead, coal, &c., worth many times more than the land, but placed at only double the valuation...	3,750,000,000
		By revenue and taxes to pay annual interest on the debt and the expenses of the Government. Balanced by debit of the same.	
	$39,625,000,000		$39,625,000,000
		By balance left after paying the debt, thirty-nine thousand six hundred and twenty-five millions of dollars.	

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